

Housing Authority - County of Los Angeles

July 13, 2004

TO: Each Deputy

FROM: Bobbette Glover *Bobbette Glover*
Assistant Executive Director

SUBJECT: RESPONSE TO SECTION 8 QUESTIONS

The following is information requested during our briefings on the proposed changes to the Section 8 Housing Choice Voucher Program.

1. Chart showing payment standards at 95% of Fair Market Rent (FMR)

Effective 10/1/03	0	1	2	3	4	5	6
FMR's 100%	\$674	\$807	\$1,021	\$1,378	\$1,646	\$1,892	\$2,139
Payment Standard at 110%	\$741	\$887	\$1,123	\$1,515	\$1,810	\$2,081	\$2,352
Payment Standard at 95%	\$640	\$766	\$969	\$1,309	\$1,563	\$1,797	\$2,032

2. Case study charts from Page 1 of Attachment to June 18th memorandum

The following case studies reflect the impact on a hypothetical household with Payment Standards at 100% and 110% of FMR. Refer to Attachment A.

Case Study A

Hypothetical Household with 2-bedroom Voucher
30% of Adjusted Monthly Income (AMI) = \$265

	100% of FMR	110% of FMR	95% of FMR
Payment Stds	\$1,021	\$1,123	\$969
30% AMI	\$265	\$265	\$265
HAP	\$756*	\$858	\$704**

*Difference in saving of \$102 monthly or \$1,224 annually.

**Difference in savings of \$154 monthly or \$1,848 annually.

Case Study B

Hypothetical Household with 3-bedroom Voucher
30% AMI=\$430

	100% of FMR	110% of FMR	95% of FMR
Payment Stds	\$1,378	\$1,515	\$1,309
30% AMI	\$430	\$430	\$430
HAP	\$938*	\$1,085	\$879

*Difference in savings of \$147 monthly or \$1,764 annually

**Difference in savings of \$206 monthly or \$2,472 annually.

3. **Section 8 income limits by family size for 30% and 80% of median income for LA-Long Beach area**

Effective 2/04

NUMBER OF PERSONS	1	2	3	4	5	6	7	8
30% of Average Median Income	\$12,500	14,300	16,050	17,850	19,300	20,700	22,150	23,550
80% of Average Median Income	\$33,300	38,100	42,850	47,600	51,400	55,200	59,000	62,850

Income targeting in the Section 8 program mandates that 75% of all new families must have an income at or below 30% of AMI and 25% of all new families may have income at or below 80% of the AMI.

4. **Number of Section 8 vouchers by District**

District	Vouchers*
1 st	4,806
2 nd	5,493
3 rd	1,247
4 th	2,499
5 th	5,494
Total	19,539

*for week of 6/28/04

Vouchers excluded:

- Tenants relocating
- Units being abated
- Ports from other jurisdictions

5. Revised Chart showing percentage of income paid by elderly and families

Households at Payment Standard of 110% of FMR				
% of Adjusted Monthly Income	Elderly	Family	Grand Total	% of Total
At or Below 30%	4,546	13,365	17,911	88.0 %
Over 30%	440	1,354	1,794	8.8 %
Over 40%	94	549	643	3.2 %
Grand Total	5,080	15,268	20,348	100.0 %

Households at Payment Standard of 100% of FMR				
% of Adjusted Monthly Income	Elderly	Family	Grand Total	% of Total
At or Below 30%	3,933	12,542	16,475	80.9 %
Over 30%	626	1,616	2,242	11.0 %
Over 40%	521	1,110	1,631	8.1 %
Grand Total	5,080	15,268	20,348	100.0 %

Households at Payment Standard of 95% of FMR				
% of Adjusted Monthly Income	Elderly	Family	Grand Total	% of Total
At or Below 30%	3,523	11,730	15,253	75 %
Over 30%	808	1,905	2,713	13 %
Over 40%	692	1,690	2,382	12 %
Grand Total	5,023	15,325	20,348	100 %

6. List of Section 8 small cities

City	District	Vouchers*
Lakewood	4	194
Lawndale	2	192
Lomita	4	60
Paramount	4	184
Santa Fe Springs	1	220
West Hollywood	3	92
	Total	942

*for week of 6/28/04

7. Attempt to calculate savings from proposed changes

Estimates are forthcoming.

8. **Clarify implementation of reduced payment standard**
- a) It will apply immediately to tenants new to the program, tenants relocating within our jurisdiction, and tenants "porting in" from another jurisdiction
 - b) It will apply to tenants 1 year after their next annual recertification following August 31, 2004. HUD regulations require 1 year notice that coincides with tenant's recertification date.

Attachment B

9. **Question: Can households paying 40% or more of their adjusted monthly income be exempt from absorbing more rent?**

Answer: The new payment standard must be applied to all households.

10. **Question: Are cash payments tenants receive from non-profit or similar types of organizations counted as income?**

Answer: HUD regulations are very specific about the sources of income that may be excluded. They are limited to the following

- Payments from a foster care agency
- Earnings of a full-time student
- Retroactive (or catch-up payments) for social security, etc.
- Lump sum payments such as inheritance or insurance payments, including health and accident insurance and workers' compensation
- Capital gains
- Settlements from personal or property losses

Some of these amounts may be calculated as "assets".

11. **Voucher Cost Reductions-Frequently Asked Questions**

Attachment C

12. **Owner/Tenant Workshop**

Attachment D

13. **Additional Cost Saving Options for Consideration**

Attachment E

CALCULATING SUBSIDY & TENANT RENT

The payment standard is used to calculate the housing authority's subsidy.

Examples:

2 bedroom payment standard at 100% of FMR	\$ 1021
30% of family's monthly income	<u>- 265</u>
Maximum subsidy paid by H.A.	\$ 756

If the rent exceeds the payment standard, the family is allowed to paid the extra amount.

2 bedroom rent	\$ 1100
Maximum subsidy paid by H.A.	<u>- 756</u>
Amount paid by family (> \$265)	\$ 344

If the rent is less than the payment standard, the family will pay less than 30% of their income toward rent.

2 bedroom rent	\$ 985
Maximum subsidy paid by H.A.	<u>- 756</u>
Amount paid by family (< \$265)	\$ 229

New Payment Standard and Effective Timeline

Effective Re-Certification Date	New Payment Standards Applied
September-04	September-05
October-04	October-05
November-04	November-05
December-04	December-05
January-05	January-06
February-05	February-06
March-05	March-06
April-05	April-06
May-05	May-06
June-05	June-06
July-05	July-06
August-05	August-06

VOUCHER COST REDUCTIONS FAQ's Frequently Asked Questions

QUESTION	SUGGESTED ANSWER
1. What is the Housing Authority doing?	<ul style="list-style-type: none"> • Reducing allowable Payment Standard as of September 1, 2004. • Changing the way we average Rent Comparables. • Student allowances will be verified during the Re-examination process. • The Housing Authority has been working hard to fight for full funding from HUD and the Congress with the help of elected officials, individuals and groups. • Notices will be sent out to owners during the second week of August, 2004 advising them of the changes taking place that will affect their participation in the Section 8 program.
2. Why is the Housing Authority doing this?	<ul style="list-style-type: none"> • Section 8 voucher subsidies come to the Housing Authority from HUD, from funds appropriated by Congress. Funds for the Section 8 program are being reduced.
3. When will the Housing Authority's reductions in voucher subsidies take place?	<ul style="list-style-type: none"> • Lower Payment Standards will begin September 1, 2004 for applicants, movers and new contracts. For all others it will begin one year from their next regular recertification date (See Attachment A).
4. How long will these measures be in effect?	<ul style="list-style-type: none"> • Until changed. • The Administration/s HUD budget proposal for next fiscal year is lower than this year's budget. The Housing Authority must plan to continue or deepen its cost-cutting.

ATTACHMENT C

QUESTION	SUGGESTED ANSWER
5. Does the Housing Authority have the right to reduce voucher subsidies like this?	<ul style="list-style-type: none"> • Yes. HUD regulations and contracts allow-even require – the Housing Authority to lower subsidies when the HUD funding is not sufficient. • Rather than take vouchers away from families, the Housing Authority has elected to reduce the voucher subsidy.
6. Couldn't the Housing Authority see this coming and act sooner to prevent it?	<ul style="list-style-type: none"> • No. HUD imposed these funding cuts in April, 2004, without prior notice. HUD's written explanations and procedures are still incomplete. • Several hundred housing agencies across the country received/ the same bad news in April, when HUD's checks were short.
7. Doesn't the Housing Authority have "reserves" to cover the cuts or couldn't other programs be cut to cover these reductions?	<ul style="list-style-type: none"> • Yes and No. HUD and Congress limit Section 8 reserves for each Housing Authority to about one month's worth of expenditures. Those reserves will be used to pay for eligible expenses for the upcoming fiscal years.
8. What can I do about it?	<ul style="list-style-type: none"> • Contact HUD? (HUD's Los Angeles office (213) 894-8000; Washington HUD office (202 708-1112). Or see HUD's internet site: www.hud.gov or call the White House (202 456-1111) or Office of Management and Budget (202 395-3080).
9. Can I call the Mayor, County Supervisor?	<ul style="list-style-type: none"> • Certainly, but the voucher funds all come from the federal government, not the City or County. The Housing Authority staff has been keeping County officials informed. They support increased funding for vouchers.

ATTACHMENT C

QUESTION	SUGGESTED ANSWER
10. Aren't there alternatives?	<ul style="list-style-type: none"> • We still welcome all suggestions, but we have looked at many alternatives and this proposal is the best fit so far. • We do not want to cancel vouchers that are now in use. Owners, tenants and advocates are urging us to save all current vouchers. • We are also implementing other measures to cut costs.
11. Is any other agency handling this situation differently?	<ul style="list-style-type: none"> • Yes. Some agencies have different local issues or other funding available; and some are canceling current vouchers. The Housing Authority staff are talking to their housing authorities here and around the country, and consulting with housing industry groups.
12. What happens if HUD comes through with more money?	<ul style="list-style-type: none"> • We don't expect that to happen. HUD officials have told us to continue to cut the costs of the voucher program. The proposed HUD budget for next year will result in additional funding cuts.
13. How do the changes affect tenants?	<ul style="list-style-type: none"> • Most tenants will pay the same amount as now, if the unit's gross rent (contract rent plus utility allowance) is at or below the payment standard for the unit. • Future cost cutting measures are likely to increase the tenant's payment for rent and utilities. HUD rules prevent that now. • Owners may choose not to renew the contract and lease. Tenants will keep their vouchers and will have to shop for another unit.

OWNER/TENANT WORKSHOPS

OWNER WORKSHOPS:

June 21, 2004 Owner Forum Panel

- Invited: 14
- Attended: 8

June 24, 2004

- | | |
|----------------------|--------------------|
| • Invited: 60 (a.m.) | Invited: 60 (p.m.) |
| • Attended: 0 | Attended: 2 |

June 29, 2004

- | | |
|----------------------|--------------------|
| • Invited: 60 (a.m.) | Invited: 60 (p.m.) |
| • Attended: 4 | Attended: 4 |

July 15, 2004 (Lancaster)

- Invited: 60

TENANT WORKSHOPS:

June 21, 2004 RAB Members

- Invited: 25
- Attended: 9

July 8, 2004

- | | |
|----------------------|--------------------|
| • Invited: 60 (a.m.) | Invited: 60 (p.m.) |
| • Attended: 27 | Attended: 25 |

July 13, 2004

- | | |
|----------------------|--------------------|
| • Invited: 60 (a.m.) | Invited: 60 (p.m.) |
| • Attended: | Attended: |

July 15, 2004 (Lancaster)

- Invited: 60

Additional Cost Saving Options for Consideration

As was stated in our briefings, the current recommended changes will not result in cost savings equal to HUD's \$15 million funding reduction. Therefore, we are considering additional actions, which can be taken to further reduce Section 8 Program expenditures.

The following is a combination of recommendations included in HUD's recent PIH Notice #2004-7, and others actions proposed by staff. We will carefully consider the impacts of each on tenants, landlords, and overall program management. We will follow up with recommendations to you at a later date.

- Suspend voucher issuance
- Stop issuing turnover vouchers
- Delay issuance of turnover vouchers
- Terminate HAP contracts
- Adopt more stringent criteria for occupancy, but not impact by overcrowding
- Deny families permission to move to a higher cost unit
- Deny portability moves to higher cost area, unless receiving housing authority is willing to absorb family into its program
- Do not execute contracts for outstanding vouchers
- Review admission policies to ensure that not more than 75% of new families are extremely low income (income targeting)
- Consider requesting HUD approval for a different income targeting requirement.
- Provide admission preference for working families
- Reduce rents to landlords at anytime, which is permitted by regulations, Reduction must be based on rent reasonableness. If owner does not accept new amount, terminate contract and issue new voucher to tenant.
- Increase income matching/verification and anti-fraud activities.
- Increase frequency of re-certifications/re-examinations. Conduct re-certifications as soon as family notifies housing authority of increase in family income.
- Modify payment standard